

Office of the State Auditor

Division of State Audit

Department of Agriculture Bismarck, North Dakota

Audit Report for the
Biennium Ended June 30, 2007
Client Code 602

Robert R. Peterson
State Auditor



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Transmittal Letter

June 19, 2008

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
The Honorable Roger Johnson, Commissioner

We are pleased to submit this audit of the Department of Agriculture for the biennium ended June 30, 2007. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Michael W. Schmitcke, CPA. Angela Sabot and Aaron Petrowitz were the staff auditors. Paul Welk, CPA, was the audit manager and Fred Ehrhardt, CPA, was the audit supervisor. Inquiries or comments relating to this audit may be directed to the audit supervisor by calling (701) 328-3647. We wish to express our appreciation to Commissioner Johnson and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota Department of Agriculture was originally established as the Commissioner of Agriculture and Labor by the North Dakota Constitution in 1889. In 1964, voters approved dividing the office into two separate offices – Commissioner of Labor and Commissioner of Agriculture. The responsibilities of the Department of Agriculture include: a leadership role in the formulation of policies affecting the state's agricultural industries; the advocacy of the needs and concerns of farmers and ranchers at the state and national level; the administration of fair and timely mediation services to farmers and ranchers; the promotion and marketing of North Dakota products; and the dissemination of information concerning agricultural issues to the Governor, Legislature, and the general public.

RESPONSES TO LAFRC AUDIT QUESTIONS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the Department of Agriculture in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unqualified opinion was issued.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Other than our finding addressing the "control/fraud risk assessment activities" (page 14), we determined internal control was adequate.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

There were no recommendations included in the prior audit report.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter was issued and is included on page 18 of this report, along with management's response.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The Department of Agriculture's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

Significant audit adjustments were not necessary.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance, Human Resource Management System (HRMS), and the Ag Mediation System are high-risk information technology systems critical to the Department of Agriculture.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Department of Agriculture for the biennium ended June 30, 2007 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Department of Agriculture's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Department of Agriculture and are they in compliance with these laws?
3. Are there areas of the Department of Agriculture's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Department of Agriculture is for the biennium ended June 30, 2007. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Department of Agriculture's sole location is its central office which was included in the audit scope.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report and reviewed management's discussion and analysis of the financial statements.
- Performed detailed analytical procedures including computer assisted auditing techniques. These procedures were used to identify high risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Nonstatistical sampling was used and the results were projected to the population. Further where applicable, populations were stratified to ensure that particular groups

within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.

- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) ERP system. Given the complexity of the state's accounting system significant evidence was obtained from ConnectND.
- Observed the Department of Agriculture's processes and procedures.

In aggregate there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Management's Discussion And Analysis

The accompanying financial statements have been prepared to present the Department of Agriculture's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

The following management discussion and analysis was prepared by the Department of Agriculture's management. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of this supplementary information to ensure it does not conflict with the knowledge we gained as part of our audit.

For the biennium ended June 30, 2007, operations of the Department of Agriculture were supported by appropriations from the state's general fund, federal funding, and various special fund sources.

FINANCIAL SUMMARY

Revenues for the Department of Agriculture consisted primarily of federal funds from a variety of federal grants and other revenues derived mainly from licenses, registrations, interagency transfers, and user fees. Income increased to \$12,152,784 for the biennium ended June 30, 2007, from \$10,826,449 for the biennium ended June 30, 2005 (an increase of 12.3%). Most of this increase came from federal funds related to plant and animal diseases and animal identification and from special funds due to increased pesticide registrations compared to the previous biennium.

Total expenditures for the Department of Agriculture increased to \$14,075,235 for the biennium ended June 30, 2007, from \$13,739,770 for the biennium ended June 30, 2005 (an increase of 2.4%).

ANALYSIS OF SIGNIFICANT CHANGES IN OPERATIONS

The Department of Agriculture implemented a number of significant changes during the 2005-2007 biennium.

As vice-president and then president-elect of the National Association of State Departments of Agriculture (NASDA) and as chair of NASDA's Rural Development and Financial Security Committee, Commissioner Johnson was deeply involved in the formulation of NASDA's policy recommendations for the next Farm Bill. In testimony before Congress, he argued that the new

legislation should include: a permanently authorized, disaster assistance program, covering both crops and livestock; payment limitations with closing of existing loopholes, such as the “three entity rule”; improved crop insurance, research, renewable energy and conservation programs; and a livestock indemnity program.

Commissioner Johnson has continued advocating for the development of new livestock industries in North Dakota to add value to grains and processing by-products. Such projects can be done in a fashion that protects the environment and addresses concerns of local citizens. These efforts have become critically important as local markets for by-products of ethanol and biodiesel become key to the profitability of these new energy projects. Johnson has also worked to resolve local zoning issues legislatively and to implement new initiatives both administratively and legislatively to support and expand the livestock component of North Dakota’s economy.

Commissioner Johnson has long supported harmonization of U.S.-Canadian laws, regulations, labeling, and pricing of pesticides. The Department’s pesticide staff worked closely with the U.S. Environmental Protection Agency, its Canadian equivalent, and the state’s congressional delegation in the development of a NAFTA label that would enable cross-border sales of pesticides. In February 2007, the Arizona-based Gowan Co. received the first NAFTA label for its Far-GO® herbicide that is used to control wild oats, foxtail, and other grasses on cereal grains, lentils, sugarbeets, and peas.

Production of industrial hemp has been legal in North Dakota since the 1990s, but federal regulations prohibit growing the crop anywhere in the U.S. In 2006, Department staff developed rules and regulations to allow industrial hemp production. On February 5, 2007, the first industrial hemp grower licenses in the U.S. were issued to two North Dakota farmers. The licenses are contingent on U.S. Drug Enforcement Agency (DEA) approval. The Department pressed the case for the licenses in a visit to DEA headquarters in Washington and in follow-up letters to the agency. DEA ultimately refused to honor the licenses, and the two farmers subsequently filed a lawsuit against the DEA.

Following the successful initial contacts with Cuba, Commissioner Johnson led three trade missions to the Caribbean nation during the 2005-07 biennium. Despite increasingly onerous federal trade restrictions, North Dakota has secured about \$20 million in contracts – mostly for dry peas – from the Cuban government, as of the end of the biennium. Negotiations continue among state and federal agencies to send the first shipment of North Dakota seed potatoes to Cuba.

The Department provided grants to 40 county weed boards and the North Dakota Weed Control Association to buy data logger Global Positioning System units, software, laptop computers, and technical assistance for mapping weed infestations within their jurisdictions. The Department and the Information Technology Department collaborated on the preliminary North Dakota Hub Explorer Weed Mapper that displays historical and current noxious and invasive weed locations and related information online. Users can create and print their own weed maps by selecting the years of weed data and weed species they would like to display.

Avian Influenza (AI) type A viruses have been found in over 40 species of wild and domestic birds; and cases occur every year throughout the world. Low pathogenicity AI occurs periodically in the United States. High pathogenic avian influenza (HPAI) is an extremely infectious and fatal form of the disease that, once established, can spread rapidly from flock to flock. The Department's Board of Animal Health secured federal funds through USDA and hired staff to educate farmers, ranchers and others in North Dakota regarding AI and to conduct testing of poultry flocks for AI.

The Marketing Division received Specialty Crop funding from the Agricultural Marketing Service (AMS) of the U.S. Department of Agriculture to promote specialty crops in North Dakota. A total of \$109,000 was awarded by the Department to five organizations to conduct the work related to farmers' market development, the health benefits of dry edible beans, increasing interest in vegetable production among young people, a marketing campaign for North Dakota-grown nursery stock, a marketing initiative related to potatoes, and work to expand pulse crops as a food grade ingredient.

Financial Statements

STATEMENT OF REVENUES AND EXPENDITURES

	June 30, 2007	June 30, 2006
<u>Revenues and Other Sources:</u>		
Federal Revenue	\$ 2,127,591	\$ 1,825,002
Licenses, Permits, and Fees	1,079,342	4,568,693
Conference Registration Fees	114,293	116,319
Fines and Forfeits	81,340	110,558
Miscellaneous Revenue	102,684	106,367
Transfers In	987,569	933,026
Total Revenues and Other Sources	\$ 4,492,819	\$ 7,659,965
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$ 3,189,268	\$ 3,084,247
Major Operating Expenditures:		
Contractual Fees	1,405,397	1,652,252
Grants	1,124,770	457,066
Travel	491,302	504,813
Lease/Rent – Buildings	157,352	147,004
Professional Services	143,962	258,870
Professional Development	98,139	112,115
Other Expenditures	420,814	353,185
Transfers Out	169,165	305,514
Total Expenditures and Other Uses	\$ 7,200,169	\$ 6,875,066

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2007

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Wages	\$ 5,783,517	\$ 111,292	\$ 5,894,809	\$ 5,333,059	\$ 561,750
Operating					
Expenses	4,255,875	147,624	4,403,499	3,993,724	409,775
Capital Assets	5,000		5,000		5,000
Grants	1,774,225	110,500	1,884,725	1,585,442	299,283
Board of Animal					
Health	2,036,027	215,638	2,251,665	2,056,927	194,738
Wildlife Services	130,000	130,000	260,000	130,000	130,000
Crop					
Harmonization					
Board	25,000		25,000	24,676	324
Totals	<u>\$ 14,009,644</u>	<u>\$ 715,054</u>	<u>\$ 14,724,698</u>	<u>\$ 13,123,828</u>	<u>\$ 1,600,870</u>
Expenditures by Source:					
General Fund	\$ 4,523,112	\$ 311,840	\$ 4,834,952	\$ 4,732,284	\$ 102,668
Other Funds	9,486,532	403,214	9,889,746	8,391,544	1,498,202
Totals	<u>\$ 14,009,644</u>	<u>\$ 715,054</u>	<u>\$ 14,724,698</u>	<u>\$ 13,123,828</u>	<u>\$ 1,600,870</u>

Appropriation Adjustments:

The increase of \$111,292 in spending authority for the Salaries and Wages line item included: \$42,538 deficiency appropriation related to the meat inspection program, authorized by Senate Bill 2023 of the 2007 Session Laws; \$33,754 to respond to increased demand for state meat inspection services; and \$35,000 to conduct a potato cyst nematode survey, both approved by the Emergency Commission.

The increase of \$147,624 in spending authority for the Operating Expenses line item included: \$15,592 deficiency appropriation related to the meat inspection program authorized by Senate Bill 2023 of the 2007 Session Laws; \$22,032 to respond to increased demand for state meat inspection services; and \$110,000 to conduct a potato cyst nematode survey, both approved by the Emergency Commission.

The increase of \$110,500 in spending authority for the Grants line item, approved by the Emergency Commission, was for the control of leafy spurge and multi-county control for noxious and invasive weeds.

The increase of \$215,638 in spending authority for the Board of Animal Health line item included: \$124,802 to reimburse directly impacted livestock producers for costs associated with the anthrax outbreak in the summer of 2005, which was approved by the Emergency Commission; and \$90,836 to develop an animal tracking database that was authorized by Senate Bill 2338 and was declared an emergency measure on April 10, 2007.

The increase of \$130,000 in spending authority for the Wildlife Services line item, authorized by Senate Bill 2009 of the 2007 Session Laws which was declared an emergency measure on April 26, 2007, was for additional spending related to the cooperative agreement between the Department of Agriculture and the United States Department of Agriculture Wildlife Services.

Expenditures without Appropriations of Specific Amounts:

Insurance recoveries have a continuing appropriation authorized by NDCC section 54-44.1-09.1 (\$427 of expenditures for this biennium).

Pesticide civil penalties authorized by NDCC section 4-35-28 (\$155,373 of expenditures for this biennium).

Expenditures for hosting training conferences have a continuing appropriation authorized by OMB Policy 211 (\$236,507 of expenditures for this biennium).

Turkey Promotion Fund has a continuing appropriation authorized by NDCC section 4-13.1-05 (\$35,364 of expenditures for this biennium).

Honey Promotion Fund has a continuing appropriation authorized by NDCC section 4-12.1-03 (\$40,645 of expenditures for this biennium).

Minor Use Pesticide Fund has a continuing appropriation authorized by NDCC section 4-35-06.3 (\$169,261 of expenditures for this biennium).

Anhydrous Ammonia Storage Inspection Fund expenditures where authorized by House Bill 1010, section 9 of the 2005 Session Laws (\$113,829 of expenditures for this biennium).

Environment and Rangeland Protection Fund expenditures where authorized by House Bill 1009, section 7 of the 2005 Session Laws (\$200,000 of expenditures for this biennium).

Internal Control

In our audit for the biennium ended June 30, 2007, we identified the following areas of the Department of Agriculture's internal control as being the highest risk:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the Ag Mediation System.

The criteria used to evaluate internal control is published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded that internal control was not adequate - noting a certain matter involving internal control and its operation that we consider to be a significant deficiency.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect (1) misstatements in financial or performance information, (2) violations of laws and regulations, or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we identified the following significant deficiency in internal control. We also noted other matters involving internal control that we have reported to management of the Department of Agriculture in a management letter dated June 19, 2008.

CONTROL/FRAUD RISK ASSESSMENT ACTIVITIES

Finding 07-1

The Department of Agriculture does not have a system in place to identify control weaknesses and possible instances of fraud or fraudulent activities in the Department's financial and operational areas.

The most important guidance relating to internal control is contained in *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This guidance dictates that a Control Risk Assessment including a Fraud Risk Assessment program be established and practiced to identify risks within the Department's control environment including fraudulent type activities, when special circumstances arise, when changing operating environments, and for restructuring. In addition, the Department of Agriculture does not have the necessary control activities designed/documented to ensure significant control weaknesses including fraud exposures are identified and mitigated.

Audit Recommendation and Agency Response

Recommendation:

We recommend the Department of Agriculture:

- Establish and perform a control risk assessment including a fraud risk assessment on a recurring basis; and
- Design and document the necessary control activities to ensure that each of the significant control risks and fraud exposures identified during the risk assessment process has been adequately mitigated.

Department of Agriculture Response:

We agree that this recommendation may reduce future fraud in state agencies. We will establish and perform a control risk assessment, and we will design and document the resulting control activities from the risk assessment.

Compliance with Legislative Intent

In our audit for the biennium ended June 30, 2007, we identified and tested the Department of Agriculture's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

- Proper use of legally restricted funds: Turkey Fund, Honey Promotion Fund, State Water Bank Fund, Minor Use Pesticide Fund, Anhydrous Ammonia Storage Inspection Fund, and the Environmental and Rangeland Protection Fund. (NDCC sections 4-13.1-05, 4-12.1-03, 4-35-06.3, 61-31-10, and 63-01.1-06)
- Pride of Dakota revenues to be deposited into the general fund. (NDCC section 4-01-19)
- Turkey assessments paid by producers. (NDCC 4-13.1-03)
- Inspections of nursery stock grown in North Dakota. (NDCC 4-21.1-03)
- Industrial hemp licensing fee. (NDCC 4-41-02)
- Ag mediation fees and reimbursements paid to Credit Review Board members. (NDCC 6-09.10-03)
- Livestock dealers must be bonded with Department of Agriculture. (NDCC 36-04-05)
- Application of proper statutory rates relating to revenue.
- Estimated income from the Environment and Rangeland Protection Fund may be used for various agriculture programs. (House Bill 1009, section 4)
- The Anhydrous Ammonia Storage Inspection Fund may be used for regulating anhydrous ammonia storage facilities. (House Bill 1009, section 5)
- Game and Fish Funds available for various agriculture programs. (House Bill 1009, section 6)
- Contingent appropriation related to Wildlife Services. (House Bill 1009, section 13)
- Transfer \$200,000 from the Environment and Rangeland Protection Fund to the Minor Use Pesticide Fund. (House Bill 1009, section 7)
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2005 North Dakota Session Laws chapter 9).
- Compliance with OMB's Purchasing Procedures Manual.
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).

- Compliance with fixed asset requirements including record keeping, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.
- Compliance with payroll related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that have occurred or are likely to have occurred.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

While we did not find any items that were required to be reported in accordance with *Government Auditing Standards*, we noted certain inconsequential or insignificant instances of non-compliance that we have reported to management of the Department of Agriculture in a management letter dated June 19, 2008.

Operations

This audit did not identify areas of the Department of Agriculture's operations where we determined it was practical at this time to help to improve efficiency or effectiveness.

Management Letter (Informal Recommendations)

June 19, 2008

The Honorable Roger Johnson
Agriculture Commissioner
Department of Agriculture
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Commissioner Johnson:

We have performed an audit of the Department of Agriculture for the biennium ended June 30, 2007, and have issued a report thereon. As part of our audit, we gained an understanding of the Department of Agriculture's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

PERVASIVE CONTROLS

Informal Recommendation 07-1:

We recommend the Department of Agriculture develop a code of ethics and code of business conduct and ensure that employees adhere to the policy.

Informal Recommendation 07-2:

We recommend the Department of Agriculture update their records retention plan to ensure that adequate retention periods for all documents produced by the department are specified.

CASH

Informal Recommendation 07-3:

We recommend the Department of Agriculture take steps to ensure that there is proper segregation of duties surrounding the Credit Review Board checking account.

Informal Recommendation 07-4:

We recommend the Department of Agriculture have someone independent of drawing down federal funds perform a reconciliation of the federal funds recorded on PeopleSoft to the amount shown by the federal government as paid to the agency.

ACCOUNTS PAYABLE/EXPENDITURES

Informal Recommendation 07-5:

We recommend the Department of Agriculture ensure only \$10 (or the proper rate for the period) per chicken inspected for avian flu is paid to producers.

PAYROLL

Informal Recommendation 07-6:

We recommend the Department of Agriculture:

- Have an appropriate individual without access to process payroll approve payroll;
- Restrict payroll access rights to individuals that process payroll;
- Inform OMB to send new PAF forms to an individual who does not have access to process payroll; and
- Have an individual independent of payroll preparation run the one-time payment query.

LEGISLATIVE INTENT

Informal Recommendation 07-7:

We recommend the Department of Agriculture inspect all nursery stock being grown in North Dakota at least once each year in accordance with NDCC 4-21.1-03.

INFORMATION SYSTEMS

Informal Recommendation 07-8:

We recommend the Department of Agriculture use ITD for all hosting services or acquire the necessary exemption from OMB as required by NDCC 54-59-22.

Management of the Department of Agriculture agreed with these recommendations.

I encourage you to call myself or an audit manager at 328-2320 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

Michael W. Schmitcke, CPA
Auditor in-charge